

Questions for UConn and UConn Health

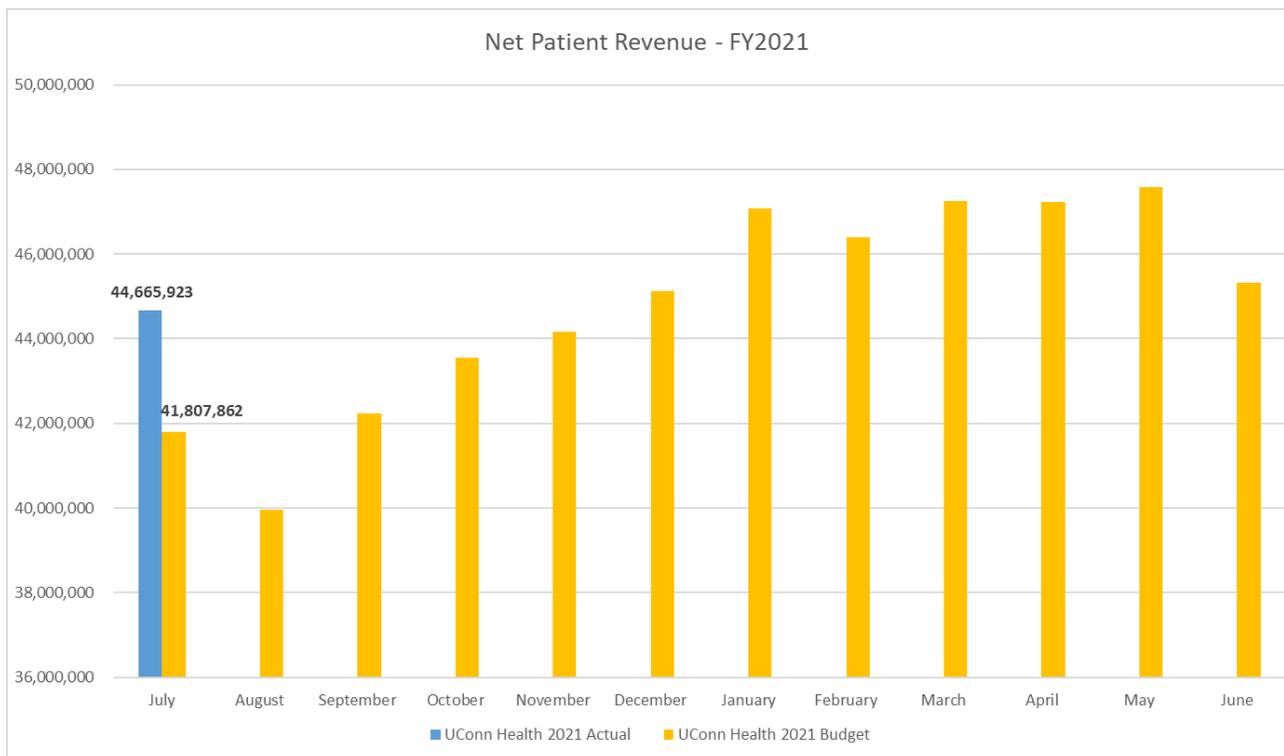
Appropriations Committee Informational Hearing – COVID-19 Impacts

August 28, 2020 1:00pm -4:00pm

UConn Health

1. Is net patient revenue growing at the trajectory anticipated by the FY 21 UConn Health budget? If not, please provide a chart comparing the forecasted and actual trajectories, noting the amount of the difference (cumulatively to date for FY 21, and projected through the end of FY 21).

Like all other health systems across the state in response to COVID-19 in March, UConn Health cancelled all elective surgeries and curtailed non-urgent medical and dental outpatient services severely reducing net patient revenue by approximately \$1 million per day. With appropriate safety measures in place and the outbreak in Connecticut stabilizing, clinical services began to ramp back up in May. UConn Health **exceeded** our original budgeted FY 21 net patient revenue for the month of July. The month of July was budgeted at \$41.8 million and the actuals were \$44.7 million.

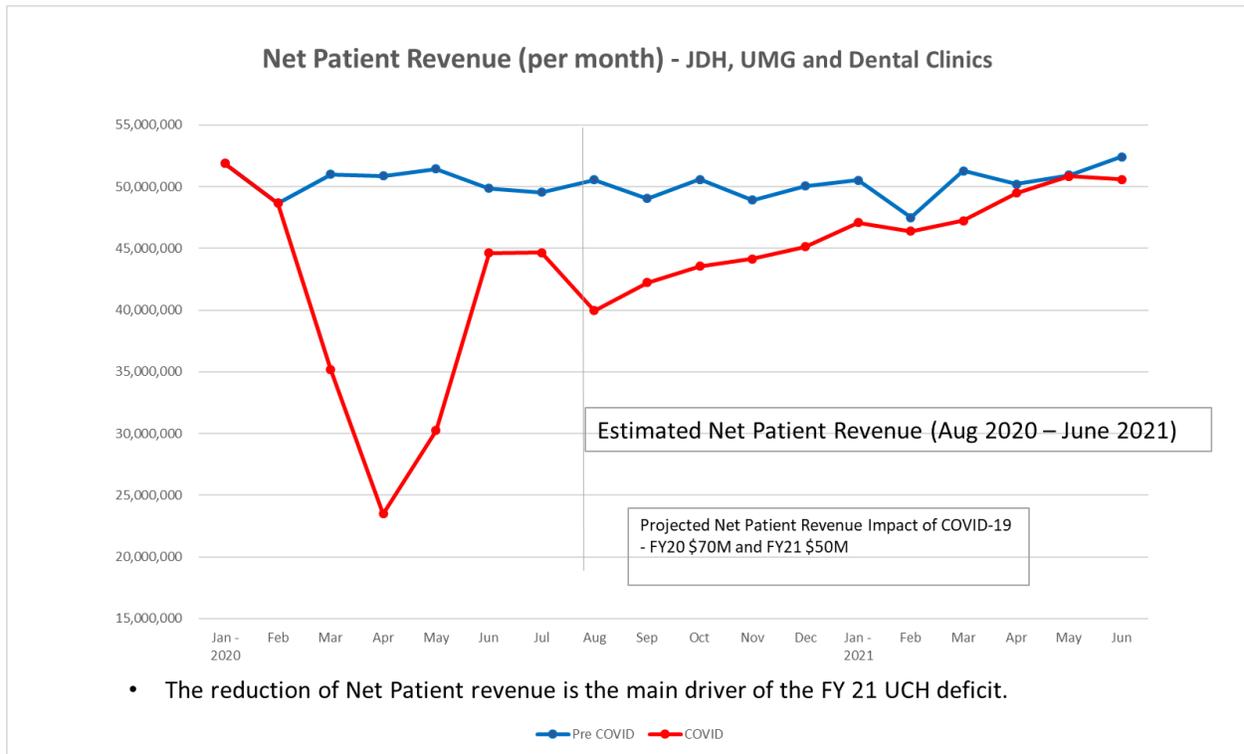


2. Please provide updated information on impacts of COVID-19 and support received to date:

a. FY 20 and FY 21 projected net patient revenue impact of COVID-19

In the below chart, the blue line below illustrates our pre-COVID estimates for net patient revenue for January 2020 through June 2021. The red line represents the actual net patient revenue received from January 2020 through July 2020, and our budgeted estimates for August 2020 through June 2021.

UConn Health lost \$70 million in net patient revenue in FY 20 due to COVID-19, and is currently estimated to lose \$50 million in net patient revenue for FY 21 due to COVID-19.



- b. FY 20 and FY 21 projected COVID-19 expenditures**
- d. Amount submitted to OPM for reimbursement**
- e. Amount submitted for reimbursement by OPM/actually reimbursed, and source of funds**

To date, UConn Health has incurred \$9.6 million of expenses related to the COVID-19 pandemic. UConn Health incurred significant expenses including but not limited to telehealth initiatives, ramp up of lab and COVID testing capabilities through the creation of mobile testing sites, creating and outfitting surge bed space on campus and procuring PPE.

Based on OPM’s guidance, UConn Health will submit a request for reimbursement of these expenses to FEMA first. FEMA will pay no more than 75% of eligible expenditures. The state has committed to reimburse for the remaining 25% from the Coronavirus Relief Fund (CRF), as well as other COVID-19 related expenditures not eligible for FEMA funding. UConn Health’s request to FEMA is in process and no funds have been received to date. To date, OPM has pre-approved \$4.25 million in eligible expenditures, but the final reimbursement from the CRF will depend on how much federal funds are received from FEMA.

UConn Health COVID-19 Related Expenditures

Functional Category	FY 2020	FY 2021	Total
Capital Purchases	155,771.32	97,090.55	252,861.87
Telehealth/Work from Home	1,611,940.05	1,203,059.88	2,814,999.93
Lab Reagents	564,486.50	902,555.75	1,467,042.25
Other	36,172.22	32,451.11	68,623.33
Medical Supplies/Drugs/PPE	1,555,595.05	388,236.82	1,943,831.87
COVID Facility Expenditures	894,853.93	959,449.13	1,854,303.06
Clinical Care Overtime Costs	1,174,003.46		1,174,003.46
Grand Total	5,992,822.53	3,582,843.24	9,575,665.77

- c. Provider Relief Fund total disbursements**
- f. Other support that has been received**

The following table summarizes the state, federal, and private funding sources that UConn Health has identified to help support its COVID-19 response, as well as associated revenue loss. In all, UConn Health has received \$32.1 million in funding over FYs 20 and 21. The bulk of support has come from the federal Provider Relief Fund, for a total of \$30.8 million (\$17.1 million in FY 20 and \$13.7 million in FY 21).

UConn Health

Potential Funding Sources Under Investigation	Source	Amount Identified and or Applied for	Amount Received - FY20	Amount Received - FY21	Total Received FY 20 & FY 21	Comment
Provider Relief Fund (CARES Act)	Federal	30,765,034	17,098,818	13,666,216	30,765,034	Payments made based on shifting eligibility requirements and data submittals. UCH does not apply for set amounts but hopes to qualify for distributions
Medicare Sequestration Relief*	Federal	1,500,000	366,350	183,175	549,525	The CARES Act exempted Medicare from the effects of sequestration from May 1, 2020 to December 31, 2020. Sequestration was 2% reduction in Medicare payments to providers. Total amounts realized are dependent upon total billings and payments from Medicare. As volumes increase the value of the suspension to Sequestration will increase. FY21 is the estimated impact through December 31, 2020 when the suspension will lapse.
Medicare DRG 20% Add-on*	Federal	250,000	250,000	-	250,000	The CARES Act provided for a 20% add-on to the inpatient prospective DRG rate for COVID-19 patients for the duration of the public health emergency .
Federal Communications Commission (FCC) COVID-19 Telehealth Program	Federal	305,000	-	116,495	116,495	UCH identified \$305,000 potentially eligible expenses. The FCC approved \$135,707 for reimbursement, and to date we have received \$116,495.
CT Hospital Association (CHA) PPE ASPR Grant	Federal	54,172	15,385	38,787	54,172	Allocated by CHA.
FEMA/Coronavirus Relief Fund	Federal	9,575,666	-	-	-	Request to FEMA is pending. FEMA will pay no more than 75% of eligible expenditures. The state has committed to reimburse for the remaining 25% from the Coronavirus Relief Fund, as well as for other COVID-19 related expenditures not eligible for FEMA funding.
Office of Early Childhood CTCARES for Hospital Workers	State	110,950	110,950	-	110,950	Based on 10 weeks of payment.
CT Medicaid APR-DRG 20% Add-on	State	250,815	-	250,815	250,815	CT Medicaid provided for a 20% add-on for patient for a COVID-19 discharge.
Business Continuity Insurance	Private	-	-	-	-	Our application for Business Continuity Insurance for the OP has been rejected. This is a nationwide trend.
Hartford Foundation for Public Giving	Private	50,000	-	-	-	UCH needs to submit for reimbursement. Can be used for sheltering and daycare expenses.
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	<i>Federal</i>	<i>42,449,871</i>	<i>17,730,553</i>	<i>14,004,672</i>	<i>31,735,225</i>	
	<i>State</i>	<i>361,765</i>	<i>110,950</i>	<i>250,815</i>	<i>361,765</i>	
	<i>Private</i>	<i>50,000</i>	<i>-</i>	<i>-</i>	<i>-</i>	
	Total	42,861,636	17,841,503	14,255,487	32,096,990	
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*Amounts for Medicare Sequestration Relief and Medicare DRG 20% Add-on are estimates.

Additional funding requested

Medicare Accelerated Payment Loan	Federal	31,000,000	-	-	-	In consultation with OPM, UConn Health applied for a \$31 million cash advance (loan) through the CMS Medicare Accelerated Payment program in order to assist with cash flow. If approved, recoupment of this payment will be required within a year of issuance and can accrue up to 10% interest. Our application is currently on hold with CMS.
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3. The frontloading of the UConn Health block grant disbursements may allow the institution to avoid cash flow issues until February, depending on what happens with COVID-19. How much additional funding do you currently project would be needed in order for UConn Health to balance revenues and expenditures through the end of FY 21?

If all mitigation efforts are realized, UConn Health projects \$76.9 million will be needed to balance revenues and expenditures through the end of FY 21. This amount includes \$53.8 million related to the state’s unfunded legacy costs, \$4.2 million in remaining COVID-19 losses, and the FY 20 deficiency of \$18.9 million related to COVID-19 losses. FY 21 mitigation efforts include deferring capital needs, implementing management furloughs, optimizing available federal fund opportunities, and engaging in an aggressive \$40 million financial improvement plan to cut costs and enhance revenues.

	FY 21 Year End Forecast
	(in Millions)
Unfunded Legacy Costs	(53.8)
COVID-19 Related Losses	(61.1)
Deficit	<u>(114.9)</u>
<u>Mitigation plans:</u>	
Capital deferral	4.9
Financial Improvement Plan (FIP)	40.0
Furlough - management	2.0
Federal Funds	10.0
	<u>56.9</u>
FY 21 Deficiency	(58.0)
<i>Unfunded Legacy Cost Support*</i>	<i>(53.8)</i>
<i>Remaining COVID Losses</i>	<i>(4.2)</i>
FY 20 Deficiency	(18.9)
<i>COVID Losses</i>	<i>(18.9)</i>
State Request	<u>(76.9)</u>
<p>* The legislature approved \$33.2 million in funding to UConn Health in FY20 to address a portion of the state’s unfunded legacy costs charged to UConn Health. In FY21, the state’s unfunded legacy costs are expected to reach \$53.8 million. The Governor’s proposed FY21 budget included \$33.2 million toward that cost.</p>	

In February, prior to COVID, UConn Health was expected to end FY 20 favorable to budget by \$7 million and would have not required or been requesting a deficiency appropriation. With COVID, UConn Health ended FY20 with an \$18.9 million deficit. As you know, the General Assembly did not act on an FY 20 deficiency bill; therefore, in order to remain cash positive, OPM allotted UConn Health two quarters of the FY 21 block grant in the first quarter. As a result, UConn Health’s fourth quarter block grant is significantly reduced, and will put the institution in a cash negative position in March if no action is taken to address the shortfall. The FY20 deficiency must ultimately be addressed in FY21.

4. **Some medical and public health experts believe there will be a fall and winter increase in COVID-19 cases. If that occurs:**
 - a. **What do you think the budget impact to UConn Health might be?**
 - b. **Do you anticipate net patient revenue will drop steeply as in the spring? If not, why not?**

In May, UConn Health implemented a plan to resume elective surgeries, procedures and other non-emergency services that included the implementation of new measures to ensure patient safety: testing protocols prior to procedures, a dedicated COVID-19 call center and COVID-19 sampling site, universal masking, increased personal protective equipment (PPE) utilization, point of entry screenings at all entrances, staggered patient arrivals, spaced seating in clinics, and visitor restrictions. With increasing knowledge about this novel coronavirus and how to properly avoid its spread, UConn Health is equipped and prepared to continue delivering safe medical care even if COVID-19 cases increase. As a result, we do not anticipate that wholesale cancelling of elective surgeries or routine care will be necessary or advisable, or that we would experience the same steep decline in revenue that we did at the end of FY 20.